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SOME FEATURES OF INDUSTRIAL GERMANY DURING THE PAST YEAR.¹

"THE Elders of the Berlin Merchants" is a nongainful corporation corresponding in some ways to what are known in English-speaking countries as "chambers of commerce." It is a well-established institution, having a recognized place in the German law code. Perhaps the most admirable feature in the German constitution is its encouragement of quasi-official, voluntary organizations which complement the official organization, and form a wisely devised connecting link between private and public life. Thus the city councils are composed of paid and unpaid councilors; the city poor are watched in their homes by unpaid overseers of the poor; and the commercial courts contain members nominated by the voluntary commercial organizations on very much the same principle on which in this country, in earlier times, it was the practice to have "side judges"—laymen appointed to sit in the *nisi-prius* courts beside the chief justice.

The German laws therefore contain provision for a chamber of commerce in every commercial court district. These corporations have different names, and one of those in Berlin is known by the peculiar title, "The Elders of the Merchants" (*Die Aeltesten der Kaufmannschaft*). The activities of this corporation, however, are not confined to the nomination of judges in the courts constituted especially to hear commercial cases, but they are as broad as can be imagined for a chamber of commerce. The two excellently edited volumes of the last *Jahrbuch* give a report, among other things, upon the various activities of the corporation. It embraces 3,409 members representing 2,314 firms, and has committees for all branches of trade. It has a governing board of twenty-seven and a financial committee of nine. Besides these, the very important connection of the corporation with the stock exchange calls for an exchange committee which, in 1903, met 113 times; for a committee on the listing of securities, which met 97 times; and a committee on members, which met 25 times.

The report records that the late councilor Pfaff left a bequest of 100,000 marks to the asylum of "our Friedrich Wilhelm Victoria

¹ *Berliner Jahrbuch für Handel und Industrie*. Bericht der Aeltesten der Kaufmannschaft von Berlin. Jahrgang 1903. Berlin: Georg Reimer, 1904. Band I, pp. xix + 542; and Band II, pp. xvi + 425.

Institution in Treptow ;" that former merchant Koehne has given the corporation for charitable purposes the sum of 2,000 marks in celebration of his golden wedding; that Miss Eleanor Wilke "left us by will a capital of 900 marks," the income of which should yearly be given to an aged and needy merchant on March 19, her late father's birthday. There is a long list of endowments managed by the corporation for which various public or governmental committees have the right of naming the beneficiaries. On the other hand, funds for charitable purposes are placed at the disposal of the corporation by the state. It seems that in 1903, 2,361 requests were made to the corporation for assistance, of which 479 were refused.

The corporation was itself also in 1903 a member of seventeen other societies of the most miscellaneous description, such as the Central Club for Employment, the Central Club for the Encouragement of German River and Canal Navigation, the German Club for the Protection of Industrial Property, the Society for the Spreading of Popular Education, the Union of Commercial Travelers of Germany, etc. The corporation contributed to fourteen other societies without being a member, including the Bureau of Information of the German Society for Ethical Culture, the German Society for Providing the Silent Poor with Free Fuel, Society for the Promotion of Free Trade, etc.

The connection of the corporation with the administration of justice is signalized by the collection of legal decisions on the question of options and futures, from 1898 to 1903, given in the appendix of the first volume. The corporation, however, has investigated independently and expressed its opinion upon many legal questions and attempted to influence the views of the court. This is illustrated in a long discussion of the legal effect of expressing *freipaß* (*bahnfrei*, *frachtfrei*, *franko*); the question being whether this expression implied a contract to deliver the goods at the point of final destination, or only involved the duty of paying for carrying them to a certain less remote point. The efforts of the society were directed toward the introduction into usage of unambiguous expressions in contracts involving delivery.

In 1899 and 1900 the corporation published a selection of special reports on questions of trade usage which it had made at the request of the courts. "This work has found quick acceptance in the practice of the courts, and in many cases has contributed to hasten the decision of law suits." (Vol. I, p. 172.) In June, 1902, on the invitation of

the governing college of the corporation, the representatives of the east German commercial bodies met in Berlin to establish model conditions for carrying on the east German lumber trade, in order to abolish local peculiarities of usage. In the case of the export commission firms, the corporation was successful in introducing a set of rules that was accepted as generally applicable. The Club of German Cloth and Woolen Goods Manufacturers of Aix-la-Chapelle, having informed the corporation of its having voted that, in that trade, discount in dealings with German customers never was regarded as discount on the goods, but purely as bank discount—that is to say, a concession made for timely payment—received the answer that this view was wholly contrary to the established practice in Berlin.

The effect of the Brussels' Sugar Convention upon German sugar legislation is noted. A new law on the taxation of sugar was passed June 11, 1902. It went into effect the same day as the International Convention, September 1, 1903. The sugar tax, as placed at 14 marks per 100 kilograms net, is payable by the proprietor of the factory at the moment the sugar leaves government supervision and passes into free commercial circulation. The import duty for sugar is to be the highest permitted by the Brussels convention. The origin of the sugar must be stated upon its importation.

A controversy with the Berlin chamber of commerce shows how similar are the fields of activity of the chamber of commerce and the Corporation of the Elders. It appears that the minister for commerce and industry had requested the chamber of commerce to give him a thorough-going plan for the supervision of the Berlin stock exchange. The chamber replied that the direct supervision should be given to itself; that the exchange committee should be composed of nine members chosen by the chamber, the other members to be chosen from the frequenters of the exchange, whether they belonged to the Corporation of the Elders or not, and that the members of the listing committee should be nominated by the chamber, etc. To this the corporation answered that supervision was one thing and administration another, and that the law which gives the government supervision and the right to make certain regulations does not give to it the right to take away from the Corporation of the Elders the government of the exchange, which is really a legal creature of the corporation. Notwithstanding the declaration of the minister for commerce and industry that he intended to take the legal rights of the corpora-

tion especially into consideration, he made a decree March 27, 1903, accepting the proposition of the chamber of commerce in all essential points, only providing that at least six of the members of the listing committee should belong to the government or "college" of the Corporation of the Elders. To this the latter made no further objection than to hand in to the minister and to the chamber of commerce a protest for the protection of its rights.

However, whether as governing body of the exchange or as protector of the rights of the merchants, the Corporation of the Elders is interested in the economic laws of the exchange dealings still more than in the administration of the exchange itself. On February 11, 1903, the meeting of the governing committees of the principal stock exchanges of Germany took place in the Exchange Building at Berlin.

In harmony with the numerous expressions of the representatives of commerce and industry, the reports of the stock exchange committee of Parliament, the investigations of our ministers of commerce and industry, and the resolutions of the first national convention of German bankers, the meeting resolved that the exchanges law had exerted the most baleful influence upon German economic life, and had paved the way for insufferable uncertainty in the law and for violation of faith and credit in commerce. Only a fundamental reform of the exchange law by abolition of the exchange register and by the repeal of the prohibition of dealings in futures in the departments of mining and manufacturing, as well as in grain and milling, can be of lasting good. The events of the past year have demonstrated beyond peradventure that without some such drastic reform of the exchange law the German exchange can never regain the necessary strength and importance, if they are to fulfil their mission in national and international economy. (Vol. I, p. 205.)

The consequence was that in the speech from the throne at the opening of the Reichstag the statement was made "that under the protection of certain provisions of the law abuses have grown up which injure faith and credit, and thereby do harm to the economically justifiable and necessary exchange business." The corporation takes the credit of bringing about this change in official views; but the speech from the throne only announces an attempt to remedy the evils by a change in the imperial stamp laws. This proposal, however, if carried out, could do little good. The only real remedy is to be found in the resolutions of the convention of February 11, 1903, above mentioned.

The old controversy between the certified brokers and the *coulisse* also comes in for discussion.

The corporation maintains in the Exchange Building a Transportation Bureau, whose duty it is to give information to business men about railway traffic and rates, to receive suggestions and requests about the same, to submit propositions to the government on their own motion, to provide a library of transportation rates and rules, to give information about customs' duties and about interference with traffic. This bureau has been found especially useful in giving information to exporters as to the proper rates and routes in foreign countries, where the foreign railway officials cannot be relied upon to look out for the interests of the German shipper.

The proposal to raise revenue from taxation of shipping on the German rivers is vigorously combated.

The report shows a lack of satisfaction with the position of the government on the question of the tariff. The assumption of a political attitude by the corporation is a case in instance to show that the German government of the day is not supporting itself upon the mercantile classes. The report complains that the tariff of 1902 was passed in order to force foreign countries to make concessions, but that it has been of little use for this purpose, since foreign countries have pursued the obvious course of passing still higher tariffs. Quite a number of these treaties were still in force at the end of 1903, and the report maintains that they should not be denounced until new treaties shall have been made to replace them. If the agrarians succeed in having them denounced at once, great uncertainty will be introduced into commerce. On account of the high rates of the German tariff of December 25, 1902, it is no wonder that the negotiations already begun with Russia, Belgium, and Switzerland have been without results. Meanwhile Russia has published, January 13-16, 1903, a new high customs tariff putting higher rates on imports by land than on imports by sea. This policy of Russia's gives a preference to France, England, and the United States over Germany, in many articles in which those countries are already strong competitors of Germany. Switzerland also replied by a new high tariff, October 10, 1902. The treaty between Germany and England of May 30, 1865 was denounced in 1898 by England, but the "most favored nation" clause was continued in favor of all parts of the British empire except Canada and Barbadoes, by the *Bundesrat*. As to Canada, the history of its differential duty in favor of England is related. It appears that the differential increase of duty on imports from Germany has been delayed until September 30, 1904. The

Canadian duties affect exports from Berlin amounting to about 4,000,000 marks.

These volumes are not contented with a detailed account of the whole condition of the trade of the city of Berlin, including every branch of business, its regulations, etc., and complete tables of prices in all markets, those for goods and those for securities. With German thoroughness, it seeks to follow the causes of Berlin's business prosperity and reverses into the outer world. The part that we have already touched upon therefore is especially interesting to the sociologist and student of institutions. The part to which we are about to turn our attention is of real value to the student of economic prosperity. It covers, moreover, a somewhat different field from other yearbooks, in that the central point is Berlin, and prolixity on the subject of other markets, as in the case of *Le marché financier*, is avoided.

The test of prosperity is found, according to the report, in three factors: the need of capital, the need of means of exchange, and the need of labor. In order to measure the need of capital the reporter has recourse to an ingenious device which is worth considering and may possess considerable merit. He makes a table, not of the portfolio nor of the deposits of the Reichsbank, but of the *difference* between the two. This difference he denominates the *curve of utilization of the Reichsbank*. His idea seems to be that this difference represents the difference between the demand for and the supply of capital. He says plainly: "Commerce and industry take out of the Reichsbank money against bills and pledges; they put their idle money at its disposition in the form of deposits." (Vol. I, p. 3.) If one accepts the McLeod-Dunbar theory of parallelism and simultaneity of loans and deposits, he certainly cannot accept the explanation of the table in the text. The loans are the deposits entered on the other side of the ledger. The idea that deposits consist of idle money put at the disposal of the banks has been completely exploded; and yet if we look at the "curve of utilization" of the Reichsbank (p. 5), one cannot deny to it a persuasive symmetry. In other words, the differences between portfolio and deposits increase from 1895, and especially 1897, to 1899, and then decrease again symmetrically until 1902, while for 1903 they take a sharp upward turn again. This curve is much more symmetrical than that either of investment and exchange and pledges, or that of demand-obligations. It is possible that a rational explanation may be given for it. The theory of parallelism of deposits and

loans neglects the difference between them, and simply accounts for the general rising and falling together. Now, on the bank books the difference may be accounted for either by a movement of the circulation or by a movement of the reserve. In the latter case there will be an appreciable time after the deposit is paid before loans will be contracted. Indeed, it is possible that in the meanwhile circulation may increase; if not, reserves will certainly decrease before it is found necessary to contract loans. The contraction of loans surely contracts circulation and deposits in the long run, but only after a temporary filling up of the reserves for that purpose. Reciprocally, a contraction of circulation or deposits causes ultimately a contraction of loans, but only after a temporary emptying of reserves. An increasing difference between loans and deposits would indicate a disposition to meet obligations out of reserves rather than to contract loans. This would be naturally characteristic of a time of rising credit and confidence, when there was an abundant supply of counter-claims against other banks and no fear of a stringency. On the other hand, the decreasing difference from 1899 to 1902 indicates timidity, a desire to hold on to reserves and to sacrifice loans. The so-called "curve of utilization" simply indicates the little monthly changes in the tendency of the Reichsbank to expand or contract; and this is shown, not by the difference in the demand and supply of capital, but by the temporary difference which the bank chooses to maintain between its credit-possession or -assets and its demand obligations. The changes in this temporary difference possess the character of a mathematical differential, and hence are peculiarly indicative of a kinetic tendency.

In confirmation of the improvement shown by the "utilization curve" above mentioned, are cited the figures of the 130 German public intelligence offices. The figures are given of the number of offers of labor for every hundred positions open. It is noteworthy that the number of offers in 1902 was very high, ranging from 136.7 in September to 241.6 in the preceding January, while for 1903 the extreme figures which fall in the same months are only 111.7 and 202.3. The signs of the beginning and end of the crisis in Germany are shown in the following table:

We here see a confirmation of what seems to be a universal phenomenon, that the railroads are last to show the effects of depression and the first to recover. On the other hand, labor was the first to feel the depression and capital was the last to recover. An

	Beginning of Down- ward Movement	Beginning of Improve- ment
Reichsbank	1900, July	1902, November
Railroads	1901, February	1902, June
Intelligence offices.....	1900, February	1902, August

attempt at generalization of this interesting table would contribute very essentially toward our knowledge of the process of economic progress.

In speaking of the relations of Germany to Canada, the position of the English government of the day in defense of Canada is considered a compensation to Canada for the unfavorable decision in the Alaska boundary arbitration. It appears that after the English had denounced the treaty of 1865 and the Germans, in answer to the Canadian differential duty in favor of England, had refused to Canada the "most favored" nation treatment the latter country replied by slapping onto their general tariff a differential duty against Germany of one-third, so that Germany has one and one-third times the general, and twice the British, rates to pay. Chamberlain defended this act of Canada in Parliament, May 15, 1903. The same thing has been done in New Zealand and Barbadoes, and the movement has begun also in Cape Colony. The history of Chamberlain's war against goods "made in Germany" is given, and the hitherto successful opposition by the Cobden Club, aided by the Free Trade Union, the Women's Free Trade Union, and the Unionist Free Food League under the presidency of the Duke of Devonshire, ending in the retreat of Chamberlain from office.

The blame of the general movement toward higher tariffs is traced back to the well-known letter of Prince Bismarck of December 15, 1878, giving notice to the *Bundesrat* of the introduction of a policy of general taxation of imports. The protectionist tariff of 1879 was bought by a slight grain duty granted to the agriculturists, and has been maintained by a continual increase in that duty from 50 pfennig in 1879 to 7 marks in 1902, and a lower limit of 5 marks in commercial treaties. The real policy for Germany is that of reciprocity. Trade can prosper only when uncertainty in tariffs is removed. The treaties of 1892 were very beneficial on this account. Note the edifying spectacle of free-traders advocating reciprocity in Germany, while protectionists stoutly maintain its orthodoxy, from their point of view, in America!

As to the forcible attempt at recovery of the German claims against Venezuela, the demand that the customs be pledged for their payment was rejected by Mr. Bowen, and he was supported by the outcry in the American press at the supposed infringement of the Monroe Doctrine. This movement was acceptable to President Roosevelt, who quite correctly claimed that Mr. Bowen was not an American official so far as settlement of the claims in question was concerned, and who rejected all requests for arbitration. The bombardment, however, of Fort St. Carlos brought Mr. Bowen to his senses.

As to the Republic of Panama, the advantage to Germany of the canal is manifest, and Germans have nothing to say against the manner in which the revolution was brought about, since it is manifest that the construction of the canal could not be accomplished in any other way.

The reorganization of the Bagdad railroad is described.

As to the Macedonian revolution, the great point is that Russia is unwilling to have a strong Christian state built up in the Balkan peninsula which might be a rival. And Russia has succeeded in gaining the consent of Austria and Germany to this policy; hence there has been no appreciable success in pacifying the peninsula.

Russia has chosen the Orient as the scene for the justification of her position before the world. It violated its agreement to withdraw from Manchuria, and thereby united England and Japan, which had previously been rivals. An American fleet of fifteen war ships was not long in appearing beside those of England and Japan. All hands were determined to make the Russians evacuate Manchuria. The appointment of Alexieff to the united governorship of the Amoor and Kwanton, and the making of him independent of the imperial ministers at St. Petersburg, threw down the gauntlet to the world. The activity of France in Morocco is permitted by Russia in payment for France's friendly attitude in the Orient and as a counter-balance to the *rapprochement* of France and England, Spain receiving the assurance that the coast of Morocco will remain neutral. In the whole year Germany has taken no leading part in international politics. The best evidence of this is the election of an anti-German pope.

The finances of the world, the labor controversies of Germany, the gradual development of the cartels into real trusts, especially in the electrical department, are but a few more of the subjects treated in

this admirable annual, which is as well designed as anything that has hitherto appeared in this line to satisfy the business man and the student of prosperity.

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COLLECTIVE BARGAINING IN THE SOFT-COAL INDUSTRY.

ONE of the most successful methods of adjusting the relations between labor and capital that have been tried in this country is that existing in the central competitive soft-coal field. The method has been in operation since 1898, and seems to give promise of indefinite continuance. The central competitive field includes the states of Illinois, Indiana, Ohio, West Virginia, and the western district of Pennsylvania, all of which have for their common market Chicago and other manufacturing centers in the Middle West. West Virginia, however, is not included in the joint agreement. The miners' organization is very weak in that state, because the majority of the mine employees are negroes, who cannot be induced to join the union, and the operators have constantly refused to enter the joint-agreement system.¹

Since the miners' union constitutes one of the parties to the agreement, it is necessary to consider briefly the general nature of that organization. According to the preamble to their constitution, the main objects of the union are to secure a rate of wages compatible with the dangers and hardships of the calling, and to ameliorate the general condition of the members. The means to be employed are arbitration, conciliation, and strikes.

The organization of the United Mine Workers of America extends throughout the coal fields east of the Rocky Mountains, though it is weak in the anthracite regions and in West Virginia. It is a *trades* union in that it aims to include all workers in and about the mines except mine managers and top bosses. The blacksmiths, firemen, and hoisting engineers have had their own organizations, but the miners have constantly endeavored to include these workmen in their union. The advantages to the miners in having these skilled laborers in their union are obvious. The skilled workers are outnumbered by the miners who can outvote them and thus determine

¹ *Bulletin No. 51 of the Department of Labor*, p. 402.